

CITY OF MAPLETON, IOWA
INDEPENDENT AUDITORS' REPORT
BASIC FINANCIAL STATEMENTS
SUPPLEMENTAL INFORMATION AND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2004

CITY OF MAPLETON, IOWA

JUNE 30, 2004

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CITY OF MAPLETON

CITY OFFICIALS

(Before January 2004)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Raymond Friedrichson	Mayor	Jan 2004
Thomas McNamara	Mayor Pro Tem	Jan 2004
Curtis Hesse	Council Member	Jan 2004
Jerry Koenigs	Council Member	Jan 2006
Benita Uhl	Council Member	Jan 2006
Roger Krohn	Council Member	Jan 2004

(After January 2004)

Donna Shaw	Mayor	Jan 2006
Jerry Burnstead	Council Member	Jan 2008
Robert Schulz	Council Member	Jan 2008
Jerry Koenigs	Council Member	Jan 2006
Benita Uhl	Council Member	Jan 2006
Fred Standa	Council Member	Jan 2008
Mavis Skow	Clerk/Treasurer	Annual
Glen A. Metcalf	Attorney	Annual



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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of The City Council
City of Mapleton, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, and each major fund of the CITY OF MAPLETON, IOWA as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Mapleton's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, and each major fund of the City of Mapleton, Iowa, as of June 30, 2004, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

As discussed in Note 10 to the financial statements, during the year ended June 30, 2004, the City adopted Governmental Accounting Standards Board Statement No.34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences.

In accordance with Government Auditing Standards, we have also issued our report dated September 17, 2004 on our consideration of City of Mapleton's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards, and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 8 and 19 through 24 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City of Mapleton's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2003 (which are not presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

William & Company P.C.
Certified Public Accountants

Onawa, Iowa
September 17, 2004

CITY OF MAPLETON, IOWA
Management's Discussion and Analysis (MD&A)
For the Year Ended June 30, 2004

The City of Mapleton provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the City of Mapleton's financial statements, which follow.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the City's financial position and results of operations.

Financial Highlights

- Revenues of the City's governmental activities increased 30.3% or approximately \$256,000, from fiscal year 2003 to fiscal year 2004. Property tax increased approximately \$229,000 due to the increase in tax increment financing receipts.
- Disbursements of the City's governmental activities decreased 6.7% or approximately \$7,000 in fiscal year 2004 from fiscal year 2003. Public works disbursements decreased approximately \$120,000. Public Safety and General Government disbursements increased approximately \$91,000 and \$25,000, respectively.
- The City's total cash basis net assets increased 50% or approximately \$433,000, from June 30, 2003 to June 30, 2004. Of this amount, the assets of the governmental activities increased approximately \$153,000 and the assets of the business type activities increased by approximately \$280,000.

Using This Annual Report

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the individual funds.

The Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides additional information about the City's finances.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the City's Financial Activities

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government and debt service. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the electric, water and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: (1) the general fund, (2) the special revenue funds such as road use tax, local options sales tax, employee benefits, and urban renewal tax increments, and (3) the debt service fund. The governmental fund financial statements provide a detailed, short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements, and changes in cash balances.

2. Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the electric, water and sewer funds, considered to be major funds of the City.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

Reconciliation between the government-wide statement and the fund financial statements follow the fund financial statements.

Government-Wide Financial Analysis

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased sharply from a year ago, increasing from \$7,649 to \$161,089. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities		
	Year Ended <u>June 30, 2004</u>	Year Ended <u>June 30, 2003</u>
Receipts and Transfers:		
Program Receipts:		
Charges for Service	\$ 214,210	\$ 174,039
Operating Grants, Contributions and Restricted Interest	1,940	1,235

	Year Ended June 30, 2004	Year Ended June 30, 2003
General Receipts:		
Property Tax	\$ 505,753	\$ 227,193
Local Option Sales Tax	71,591	70,998
Road Use Tax	110,106	107,628
Contributions not Restricted to Specific Purposes	5,420	81,877
Unrestricted Investment Earnings	2,970	5,942
Other General Receipts	188,589	125,695
Transfers, Net.....	<u>5,000</u>	<u>5,000</u>
Total Receipts and Transfers	1,105,579	849,607
Disbursements:		
Public Safety	288,449	262,982
Public Works	249,308	369,412
Culture and Recreation	172,349	172,710
Community and Economic Development	10,615	11,422
General Government	201,138	110,426
Debt Service	<u>30,280</u>	<u>32,139</u>
Total Disbursements	<u>952,139</u>	<u>959,091</u>
Increase (Decrease) in Cash Basis Net Assets	153,440	(109,484)
Cash Basis Net Assets Beginning of Year	<u>7,649</u>	<u>117,113</u>
Cash Basis Net Assets End of Year	<u>\$ 161,089</u>	<u>\$ 7,649</u>

The City's total receipts for governmental activities increased by 30.3%, or approximately \$256,000. The total cost of all programs and services decreased by approximately \$7,000 or .7% with no new programs added this year. The significant increase in receipts was primarily the result of proceeds received from tax increment financing taxes collected.

The cost of all governmental activities this year was approximately \$952,000 compared to approximately \$950,000 last year. However, as shown in the Statement of Activities and Net Assts on pages 9 through 10, the amount taxpayers ultimately financed for these activities was approximately \$721,000 because some of the costs were paid by those directly benefited from the programs (\$214,210) or by other governments and organizations that subsidized certain programs with grants (\$16,595) contributions and restricted interest. Overall, the City's governmental activities receipts including intergovernmental aid and fees for service, increased in 2004 from approximately \$175,000 to approximately \$216,000. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$736,000 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities

	Year Ended June 30, 2004	Year Ended June 30, 2003
Receipts:		
Program Receipts:		
Charges for Service:		
Electric	\$ 801,968	\$ 820,653
Cable	-	51,495
Water	208,727	212,634
Sewer	115,342	110,125
General Receipts:		
Unrestricted Interest on Investments	3,068	6,634
Receipts from WIMECA	<u>\$ 63,120</u>	<u>\$ 13,804</u>

	Year Ended June 30, 2004	Year Ended June 30, 2003
Receipts from Mapleton Communications	\$ 125,000	\$ 460,949
Other General Receipts	<u>41,876</u>	<u>27,642</u>
Total Receipts.....	1,359,101	1,704,016
Disbursements and Transfers:		
Electric	829,748	1,593,257
Cable	-	94,013
Water	177,789	202,005
Sewer	66,888	55,945
Transfers	<u>5,000</u>	<u>5,000</u>
Total Disbursements and Transfers	<u>1,079,425</u>	<u>1,950,220</u>
Increase (Decrease) in Cash Balance	279,676	(246,204)
Cash Basis Net Assets Beginning of Year	<u>855,220</u>	<u>1,101,424</u>
Cash Basis net Assets End of Year	<u>\$ 1,134,896</u>	<u>\$ 855,220</u>

Total business type activities receipts for the fiscal year were approximately \$1,359,000 compared to approximately \$1,704,000 last year. This significant decrease was due primarily to the receipt of approximately \$461,000 of reimbursement from Mapleton Communications for the construction costs of the communication system received in 2003. The cash balance increased by approximately \$280,000 from the prior year because of the distribution from Mapleton Communications of \$125,000, an increase in WIMECA patronage dividends of approximately \$50,000 and decrease in the electric disbursements due to the \$375,000 investment in Mapleton Communications in 2003. Total disbursements and transfers for the fiscal year decreased by 44.7% to a total of \$1,079,425.

Individual Major Governmental Fund Analysis

As the City of Mapleton completed the year, its governmental funds reported a combined fund balance of \$161,089, an increase of \$153,440 above last year's total of \$7,649. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$275,206 from the prior year to a deficit of \$(184,666). Approximately \$147,000 of this decrease was due to a decrease in property tax receipts and an increase of approximately \$91,000 in general government disbursements due to the salary of and termination pay for the City Administrator in 2004.
- The Road Use Tax Fund cash balance increased by \$67,500 to \$56,900 during the fiscal year. This increase was attributable to a decrease in disbursements of approximately \$78,000 in this fiscal year.
- The Urban Renewal Tax Increment Fund cash balance increased \$332,509 from the prior year of a deficit of \$(333,285). The increase was primarily due to an increase of \$355,983 in property taxes received.

Individual Major Business Type Fund Analysis

- The Water Fund cash balance increased by \$33,463 to \$341,849, due primarily to a reduction in debt service payments over the prior year.
- The Electric Fund cash balance increased by \$196,704 to \$453,250 due primarily to the \$125,000 distribution received from Mapleton Communication and the \$63,120 received from WIMECA for patronage dividends and member charge refund.
- The Sewer Fund cash balance increased by \$49,509 to \$339,797, due primarily to receipts exceeding disbursements.

Budgetary Highlights

Over the course of the year, the City amended its budget once. The amendment was approved on June 21, 2004 to provide for additional disbursements in certain City departments. The City had sufficient cash balances to absorb these additional costs.

Debt Administration

At June 30, 2004, the City had approximately \$250,000 in bonds and other long-term debt, compared to approximately \$270,000 last year as shown below:

Outstanding Debt at Year End		
	Year Ended June 30, 2004	Year Ended June 30, 2003
Urban Renewal Tax Increment		
Capital Notes.....	\$ 150,000	\$ 170,000
Industrial Park Loan	<u>100,000</u>	<u>100,000</u>
Total.....	\$ <u>250,000</u>	\$ <u>270,000</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$250,000 is significantly below its constitutional debt limit of approximately \$2,000,000.

Economic Factors and Next Year's Budgets and Rates

The City of Mapleton elected and appointed officials and citizens considered many factors when setting the fiscal year 2005 budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The State's CPI increase was 3.2% for fiscal year 2004 compared with the national rate of 3.4%. Inflation has been modest here due in part to the slowing of the residential housing market and modest increases in energy prices in 2003-2004.

These indicators were taken into account when adopting the budget for fiscal year 2005. Amounts available for appropriation in the operating budget are \$1.9 million, a decrease of 13% under the final 2004 budget. Budgeted disbursements are expected to decrease by approximately \$421,000. Reductions in governmental expenditures of \$294,000 and business type expenditures of \$127,000 account for the projected decrease.

If these estimates are realized, the City's budgeted cash balance is expected to decrease by approximately \$184,000 by the close of 2005.

Contacting City of Mapleton's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report, or need additional information, contact Mavis Skow, City Clerk, 513 Main Street, Mapleton, Iowa 51034.

CITY OF MAPLETON

BASIC FINANCIAL STATEMENTS

CITY OF MAPLETON, IOWA
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
OF AND FOR THE YEAR ENDED JUNE 30, 2004

Functions/Programs	Disbursements	Program Receipts	
		Charges for Services	Operating Grants Contributions and Other Program Revenues
Primary Government:			
Governmental Activities:			
Public Safety	\$ 288,449	\$ 71,882	\$ 8,800
Public Works	249,308	119,913	
Culture and Recreation	172,349	22,415	2,375
Community and Economic Development	10,615		5,420
General Government	201,138		
Debt Service	30,280		
Total Governmental Activities	<u>952,139</u>	<u>214,210</u>	<u>16,595</u>
Business-Type Activities:			
Electric System	829,748	801,968	
Water System	177,789	208,727	
Sewer System	66,888	115,342	
Total Business-Type Activities:	<u>1,074,425</u>	<u>1,126,037</u>	<u>-</u>
Total	<u>\$ 2,026,564</u>	<u>\$ 1,340,247</u>	<u>\$ 16,595</u>

General Receipts:

Property Tax Levied For:
 General Purposes
 Tax Increment Financing
Local Option Sales Tax
Interest
General Intergovernmental Revenues
Sale of Merchandise
Payment in Lieu of Taxes
Miscellaneous
Interfund Transfers
 Total General Revenues and Transfers
Change in Net Assets
Net Assets - Beginning
Net Assets - Ending

See Accompanying Notes to Financial Statements

Net (Disbursements) Receipts and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (207,767)		\$ (207,767)
(129,395)		(129,395)
(147,559)		(147,559)
(5,195)		(5,195)
(201,138)		(201,138)
(30,280)		(30,280)
<u>(721,334)</u>		<u>(721,334)</u>
	\$ (27,780)	(27,780)
	30,938	30,938
	48,454	48,454
	<u>51,612</u>	<u>51,612</u>
<u>(721,334)</u>	<u>51,612</u>	<u>(669,722)</u>
129,904		129,904
375,849		375,849
71,591		71,591
2,970	3,068	6,038
157,576		157,576
	194	194
25,331		25,331
106,553	229,802	336,355
5,000	(5,000)	
<u>874,774</u>	<u>228,064</u>	<u>1,102,838</u>
153,440	279,676	433,116
7,649	855,220	862,869
<u>\$ 161,089</u>	<u>\$ 1,134,896</u>	<u>\$ 1,295,985</u>

CITY OF MAPLETON, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2004

		Special Revenue	
		Tax	
	General	Increment Financing	Road Use Tax
Receipts:			
Property Tax	\$ 109,542		
Other City Taxes	989		
Tax Increment Financing Collections		\$ 375,849	
Licenses and Permits	1,386		
Intergovernmental Revenue	49,410		\$ 110,106
Charges for Services	214,210		
Interest	2,970		
Payment in Lieu of Taxes	25,331		
Miscellaneous	53,734	66,088	
Total Receipts	<u>457,572</u>	<u>441,937</u>	<u>110,106</u>
Disbursements:			
Operating:			
Public Safety	288,449		
Public Works	127,554	79,148	42,606
Culture and Recreation	172,349		
Community and Economic Development	10,615		
General Government	201,138		
Debt Service			
Principal Retirements			
Interest			
Total Disbursements	<u>800,105</u>	<u>79,148</u>	<u>42,606</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>(342,533)</u>	<u>362,789</u>	<u>67,500</u>
Other Financing Sources (Uses):			
Operating Transfers In	67,327		
Operating Transfers Out		(30,280)	
Total Other Financing Sources (Uses)	<u>67,327</u>	<u>(30,280)</u>	<u>-</u>
Net Change in Cash Balances	(275,206)	332,509	67,500
Cash Balances (Deficit) Beginning of Year	90,540	(333,285)	(10,592)
Cash Balances (Deficit) End of Year	<u>\$ (184,666)</u>	<u>\$ (776)</u>	<u>\$ 56,908</u>

See Accompanying Notes to Financial Statements

Special Revenue			Total Governmental Funds
Local Option Sales Tax	Employee Benefits	Debt Service	
	\$ 19,206		\$ 128,748
\$ 71,591	167		72,747
			375,849
			1,386
			159,516
			214,210
			2,970
			25,331
			119,822
71,591	19,373	-	1,100,579
			288,449
			249,308
			172,349
			10,615
			201,138
		\$ 20,000	20,000
		10,280	10,280
-	-	30,280	952,139
71,591	19,373	(30,280)	148,440
		30,280	97,607
(42,954)	(19,373)	-	(92,607)
(42,954)	\$ (19,373)	30,280	5,000
28,637	-	-	153,440
251,659	-	9,327	7,649
\$ 280,296	-	\$ 9,327	\$ 161,089

CITY OF MAPLETON, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
OF AND FOR THE YEAR ENDED JUNE 30, 2004

	Business Type Activities			
	Electric System	Water System	Sewer System	Total
Operating Receipts:				
Charges for Services	\$ 801,968	\$ 208,727	\$ 115,342	\$ 1,126,037
Total Operating Revenue	801,968	208,727	115,342	1,126,037
Operating Disbursements:				
Business Type Activities	829,748	177,789	66,888	1,074,425
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	(27,780)	30,938	48,454	51,612
Non-Operating Receipts (Disbursements):				
Interest on Investments	958	1,055	1,055	3,068
Sale of Merchandise	194			194
Patronage Dividend - WIMECA	6,913			6,913
WIMECA Member Charge Refund	56,207			56,207
Distribution - Mapleton Communications	125,000			125,000
Other Non-operating Revenues	40,212	1,470		41,682
Total Non-Operating Receipts (Disbursements):	229,484	2,525	1,055	233,064
Excess of Receipts Over Operating Disbursements	201,704	33,463	49,509	284,676
Operating Transfers Out	(5,000)			(5,000)
Net Change in Cash Balances	196,704	33,463	49,509	279,676
Cash Balances - Beginning of Year	256,546	308,386	290,288	855,220
Cash Balances - End of Year	\$ 453,250	\$ 341,849	\$ 339,797	\$ 1,134,896

CITY OF MAPLETON, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Mapleton is a political subdivision of the State of Iowa located in Monona County. It was first incorporated in 1878 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture, recreation, community and economic development, and general government services. The City also provides water, electric, and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Mapleton has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods and services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Monona County Assessor's Conference Board, Monona County Emergency Management Commission, Monona County Landfill Commission and Monona County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statements

The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operation or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The City had no nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

CITY OF MAPLETON, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Tax Increment Financing Fund is used to account for urban renewal projects and economic development financed by tax increment financing.

The Local Option Sales Tax Fund is used to account for the monies received from local option sales tax.

The Employee Benefits Fund is used to account for the employee taxes received specifically for employee benefits.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Electric Fund accounts for the operation and maintenance of the City's electric system.

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's sewer system.

C. Measurement Focus and Basis of Accounting

The City of Mapleton maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U. S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the community and economic development function.

Note 2 - CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2004 were entirely covered by Federal Depository Insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

CITY OF MAPLETON, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

Note 2 - CASH AND POOLED INVESTMENTS (Cont.)

The City's investments are categorized to give an indication of the level of risk assumed by the City at year end. The City's investments are all Category 1, which means the investments are insured or registered or the securities are held by the City or its agent in the City's Name.

The City's investments at June 30, 2004 were all in certificates of deposit.

Note 3 - BONDS AND NOTES PAYABLE

Annual Debt service requirements to maturity for the urban renewal tax increment financing capital notes and the industrial park (NIPCO) loan are as follows:

Year Ending June 30,	Urban Renewal Tax Increment Financing (TIF) Capital Notes		Industrial Park Loan Program (NIPCO)		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 20,000	\$ 9,034	\$ 100,000		\$ 120,000	\$ 9,034
2006	20,000	7,787			20,000	7,787
2007	20,000	6,542			20,000	6,542
2008	20,000	5,295			20,000	5,295
2009	20,000	4,050			20,000	4,050
2010	20,000	2,803			20,000	2,803
2011	20,000	1,558			20,000	1,558
2012	10,000	311			10,000	311
Total	<u>\$ 150,000</u>	<u>\$ 37,300</u>	<u>\$ 100,000</u>		<u>\$ 250,000</u>	<u>\$ 37,380</u>

The urban renewal tax increment financing capital notes were issued for the purpose of defraying a portion of the costs of carrying out urban renewal projects of the City. The notes are payable solely from the income and proceeds of the Tax Increment Financing Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the tax increment financing capital notes were expended only for the purposes which were consistent with the plans of the city's urban renewal area. The notes are not a general obligation of the City, however the debt is subject to the constitutional debt limitation of the City.

The loan from NIPCO through the Industrial Park Loan Program will be retired by sale of land, rents received from the land and General Fund revenues.

Note 4 - PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

CITY OF MAPLETON, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

Note 4 - PENSION AND RETIREMENT BENEFITS (Cont.)

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 5.93% and 8.90%, respectively. For the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively, and for the year ended June 30, 2002, the contribution rates for police employees and the City were 6.20% and 9.29%, respectively. Contribution requirements are established by State Statute. The City's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$27,913, \$26,477, \$25,492, respectively, equal to the required contributions for each year.

Note 5 - COMPENSATED ABSENCES

The City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payments to employees at June 30, 2004, is \$19,261.

This liability has been computed based on rates of pay in effect at June 30, 2004.

Note 6 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 42,954
	Employee Benefit	19,373
	Enterprise:	
	Electric	<u>5,000</u>
		67,327
Special Revenue:	Debt Service	<u>30,280</u>
Tax Increment Financing		
Total		\$ <u>97,607</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

Note 7 - RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City officials totaling \$63,844 during the year ended June 30, 2004.

CITY OF MAPLETON, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

Note 8 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; thefts, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9 - DEFICIT FUND BALANCE

The General Fund and Tax Increment Financing Fund had deficit balances of \$184,666 and \$776, respectively at June 30, 2004. The deficits will be eliminated from future property tax receipts.

Note 10 - ACCOUNTING CHANGE AND RESTATEMENTS

Governmental Accounting Standards Board Statement No.34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the fiscal year ending June 30, 2004. The statements create new basic financial statements for reporting the City's financial activities. The financial statements now include a government-wide financial statement and fund financial statements which present information for individual major funds rather than by fund type.

The government-wide financial statement reports the City's governmental and business type activities.

CITY OF MAPLETON

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF MAPLETON, IOWA
BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2004

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property Tax	\$ 128,748		\$ 128,748
Other City Taxes	72,747		72,747
Tax Increment Financing Collections	375,849		375,849
Licenses and Permits	1,386		1,386
Intergovernmental Revenue	159,516		159,516
Charges for Services	214,210	\$ 1,126,037	1,340,247
Interest	2,970	3,068	6,038
Payment in Lieu of Taxes	25,331		25,331
Miscellaneous	119,822	229,996	349,818
Total Revenue	<u>1,100,579</u>	<u>1,359,101</u>	<u>2,459,680</u>
Disbursements:			
Operating:			
Public Safety	288,449		288,449
Public Works	249,308		249,308
Culture and Recreation	172,349		172,349
Community and Economic Development	10,615		10,615
General Government	201,138		201,138
Capital Projects			
Principal Retirements	20,000		20,000
Interest	10,280		10,280
Business Type Activities		1,074,425	1,074,425
Total Disbursements	<u>952,139</u>	<u>1,074,425</u>	<u>2,026,564</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>148,440</u>	<u>284,676</u>	<u>433,116</u>
Other Financing Sources (Uses):			
Interfund Transfers In	97,607		97,607
Interfund Transfers Out	(92,607)	(5,000)	(97,607)
Total Other Financing Sources (Uses)	<u>5,000</u>	<u>(5,000)</u>	<u>-</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing (Uses)	153,440	279,676	433,116
Cash Balances - Beginning of Year	<u>7,649</u>	<u>855,220</u>	<u>862,869</u>
Cash Balances - End of Year	<u>\$ 161,089</u>	<u>\$ 1,134,896</u>	<u>\$ 1,295,985</u>

See Accompanying Independent Auditors' Report

Budgeted Amounts		Final To Net Variance	
Original	Final		
\$ 128,624	\$ 128,624	\$ 124	
62,358	62,358	10,389	
331,000	331,000	44,849	
2,300	2,300	(914)	
186,297	186,297	(26,781)	
1,502,057	1,502,057	(161,810)	
18,200	18,200	(12,162)	
-	-	25,331	
1,500	1,500	348,318	
2,232,336	2,232,336	227,344	
293,200	320,500	(32,051)	
207,600	392,000	(142,692)	
179,100	184,100	(11,751)	
4,000	4,000	6,615	
317,299	317,299	(116,161)	
50,000	50,000	(50,000)	
20,000	20,000	-	
10,280	10,280	-	
1,245,000	1,245,000	(170,575)	
2,326,479	2,543,179	(516,615)	
(94,143)	(310,843)	743,959	
310,280	310,280	(212,673)	
(310,280)	(310,280)	212,673	
-	-	-	
(94,143)	(310,843)	743,959	
862,869	862,869	-	
\$ 768,726	\$ 552,026	\$ 743,959	

CITY OF MAPLETON, IOWA
BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - GENERAL FUND AND ALL MAJOR SPECIAL REVENUE FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2004

	General Fund	Budgeted Amounts		Final To Net Variance
		Original	Final	
Receipts:				
Property Tax	\$ 109,542	\$ 109,278	\$ 109,278	\$ 264
Other City Taxes	989	304	304	685
Licenses and Permits	1,386	2,300	2,300	(914)
Intergovernmental Revenue	49,410	75,900	75,900	(26,490)
Charges for Services	214,210	218,541	218,541	(4,331)
Interest	2,970	18,200	18,200	(15,230)
Payment in Lieu of Taxes	25,331			25,331
Miscellaneous	53,734	1,000	1,000	52,734
Total Revenue	<u>457,572</u>	<u>425,523</u>	<u>425,523</u>	<u>32,049</u>
Disbursements:				
Operating:				
Public Safety	288,449	293,200	320,500	(32,051)
Public Works	127,554	147,600	147,600	(20,046)
Culture and Recreation	172,349	179,100	184,100	(11,751)
Community and Economic Development	10,615	4,000	4,000	6,615
General Government	201,138	317,299	317,299	(116,161)
Total Disbursements	<u>800,105</u>	<u>941,199</u>	<u>973,499</u>	<u>(173,394)</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>(342,533)</u>	<u>(515,676)</u>	<u>(547,976)</u>	<u>205,443</u>
Other Financing Sources (Uses)				
Interfund Transfers In	67,327	280,000	280,000	(212,673)
Interfund Transfers Out		(100,000)	(100,000)	100,000
Total Other Financing Sources (Uses)	<u>67,327</u>	<u>180,000</u>	<u>180,000</u>	<u>(112,673)</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	<u>(275,206)</u>	<u>(335,676)</u>	<u>(367,976)</u>	<u>92,770</u>
Cash Balances - Beginning of Year	<u>90,540</u>	<u>(5,846)</u>	<u>(5,846)</u>	<u>96,386</u>
Cash Balances - End of Year	<u>\$ (184,666)</u>	<u>\$ (341,522)</u>	<u>\$ (373,822)</u>	<u>\$ 189,156</u>

Tax Increment Financing Fund	Budgeted Amounts Original	Final To Net Variance	Road Use Tax Fund	Budgeted Amounts Original	Final To Net Variance	Local Option Sales Tax Fund	Budgeted Amounts Original	Final To Net Variance
\$ 375,849	\$ 331,000	\$ 44,849	\$ 110,106	\$ 110,397	\$ (291)	\$ 71,591	\$ 62,000	\$ 9,591
66,088		66,088						
441,937	331,000	110,937	110,106	110,397	(291)	71,591	62,000	9,591
79,148	50,000	29,148	42,606	60,000	(17,394)			
79,148	50,000	29,148	42,606	60,000	(17,394)	-	-	-
362,789	281,000	81,789	67,500	50,397	17,103	71,591	62,000	9,591
(30,280)	(30,280)					(42,954)		(42,954)
(30,280)	(30,280)	-	-	-	-	(42,954)	-	(42,954)
332,509	250,720	81,789	67,500	50,397	17,103	28,637	62,000	(33,363)
(333,285)	(218,693)	(114,592)	(10,592)	-	(10,592)	251,659	250,000	1,659
\$ (776)	\$ 32,027	\$ (32,803)	\$ 56,908	\$ 50,397	\$ 6,511	\$ 280,296	\$ 312,000	\$ (31,704)

Continued

CITY OF MAPLETON, IOWA
BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - GENERAL FUND AND ALL MAJOR SPECIAL REVENUE FUNDS
REQUIRED SUPPLEMENTARY INFORMATION - (Continued)
YEAR ENDED JUNE 30, 2004

	Employee Benefit Fund	Budgeted Amounts Original	Final To Net Variance
Receipts:			
Property Tax	\$ 19,373	\$ 19,400	\$ (27)
Other City Taxes			
Licenses and Permits			
Intergovernmental Revenue			
Charges for Services			
Interest			
Payment in Lieu of Taxes			
Miscellaneous			
Total Revenue	<u>19,373</u>	<u>19,400</u>	<u>(27)</u>
Disbursements:			
Operating:			
Public Safety			
Public Works			
Culture and Recreation			
Community and Economic Development			
General Government			
Total Disbursements	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>19,373</u>	<u>19,400</u>	<u>(27)</u>
Other Financing Sources (Uses)			
Interfund Transfers In			
Interfund Transfers Out	(19,373)		(19,373)
Total Other Financing Sources (Uses)	<u>\$ (19,373)</u>	<u>-</u>	<u>(19,373)</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing Uses	-	19,400	(19,400)
Cash Balances - Beginning of Year	-	-	-
Cash Balances - End of Year	<u>-</u>	<u>\$ 19,400</u>	<u>\$ (19,400)</u>

See Accompanying Independent Auditors' Report

CITY OF MAPLETON, IOWA
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2004

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon 10 major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, capital projects funds, and proprietary funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$216,700. This budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2004, disbursements exceeded the amount budgeted in the Community and Economic Development function.

CITY OF MAPLETON

SUPPLEMENTAL INFORMATON

**CITY OF MAPLETON, IOWA
SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2004**

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Balance Beginning of Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
Tax Increment Financing (TIF) Revenue Bonds	August 15, 2000	6.23%	\$ 200,000	\$ 170,000	\$ 20,000	\$ 150,000	\$ 10,280	\$ 779
Industrial Park Loan	November 1, 1999	0%	100,000	100,000		100,000	-	-
Total			<u>\$ 300,000</u>	<u>\$ 270,000</u>	<u>\$ 20,000</u>	<u>\$ 250,000</u>	<u>\$ 10,280</u>	<u>\$ 779</u>

CITY OF MAPLETON, IOWA
Bond and Note Maturities
June 30, 2004

<u>Year Ending June 30,</u>	<u>Tax Increment Financing (TIF) Capital Notes</u>		<u>Industrial Park Loan Program</u>	
	<u>Swimming Pool Improvement Issued August 15, 2000</u>		<u>Industrial Development Issued November 1, 1999</u>	
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>
2005	6.23%	\$ 20,000	0.00%	\$ 100,000
2006	6.23%	20,000		
2007	6.23%	20,000		
2008	6.23%	20,000		
2009	6.23%	20,000		
2010	6.23%	20,000		
2011	6.23%	20,000		
2012	6.23%	10,000		
Total		<u>\$ 150,000</u>		<u>\$ 100,000</u>

See Accompanying Independent Auditors' Report

CITY OF MAPLETON, IOWA

Comparison of Taxes and Intergovernmental Revenues

	For The Years Ended June 30,			
	2004	2003	2002	2001
Property Tax	\$ 128,748	\$ 257,327	\$ 192,085	\$ 185,477
Tax Increment Financing Collections	375,849	19,866	204,890	276,361
Other City Taxes:				
Mobile Home Tax	824	762	1,221	1,399
Utility Tax	332	314	341	341
Local Option Sales Tax	71,591	70,998	67,850	61,650
	<u>72,747</u>	<u>72,074</u>	<u>69,412</u>	<u>63,390</u>
Intergovernmental:				
State Allocations	1,950	22,017	24,005	24,432
Bank Franchise Fees	14,885	7,159	8,832	10,967
State Grants			5,228	4,565
Cops Grant	1,940	1,235	38,709	29,267
Road Use Tax	110,106	107,628	112,295	106,275
Library Service	9,305	8,496	8,185	8,261
Township Contributions	20,330	7,194	14,375	15,551
Other State Grants	1,000		1,000	10,000
	<u>159,516</u>	<u>153,729</u>	<u>212,629</u>	<u>209,318</u>
Total	<u>\$ 736,860</u>	<u>\$ 502,996</u>	<u>\$ 679,016</u>	<u>\$ 734,546</u>

Note: Taxes and Intergovernmental Revenues for the years ended June 30, 2001 are based on the modified accrual basis of accounting.



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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Members of the City Council
City of Mapleton, Iowa

We have audited the general purpose financial statements of the CITY OF MAPLETON, IOWA, as of and for the year ended June 30, 2004 and have issued our report thereon dated September 17, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards; Chapter 11 Code of Iowa; and those standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Mapleton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Mapleton's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the City of Mapleton's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as Item 04-II-A.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned function. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might have reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider Item 04-II-A to be a material weakness.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the City of Mapleton and other parties to whom the City of Mapleton may report. This report is not intended to be and should not be used by anyone other than those specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Mapleton, Iowa, during the course of our examination. If you have any questions concerning the above matters, we would be pleased to discuss them with you at your convenience.

Williams & Company P.C.
Certified Public Accountants

Onawa, Iowa
September 17, 2004

CITY OF MAPLETON, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2004

Part I: Summary of the Independent Auditors' Results

- (a) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U. S. generally accepted accounting principles.
- (b) A reportable condition in internal control over financial reporting was disclosed by the audit of the financial statements including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Reportable Conditions:

04-II-A. Segregation of Accounting Functions

Observation - One important aspect of internal control is the segregation of accounting functions among employees. Several incompatible accounting functions regarding cash receipts are handled by the same employee.

Recommendations - We recommend that one employee be designated to open the mail and make a prelist of receipts, one employee post the receipts and the employee who opens the mail make the bank deposit.

Response - Due to the limited number of personnel in the office it is not feasible at this time to break down the segregation of duties any further.

Conclusion - We realize that there are limited number of personnel available and we agree with the City's response. Our purpose in making this observation is to remind management of the careful attention and scrutiny of the records that is necessary when a limited number of personnel are available which makes ideal controls impossible.

Part III: Other findings Related to Required Statutory Reporting

- 04-III-A. Official Depositories - A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

- 04-III-B. Certified Budget - City disbursements during the fiscal year ended June 30, 2004 exceeded the amount budgeted in the Community and Economic Development Function. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

04-III-C. Questionable Disbursements - We noted no expenditures for parties, banquets or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

04-III-D. Travel Expense - No expenditures of City money for travel expense of spouses of City officials and/or employees were noted.

04-III-E. Business Transactions - Business transactions between the City and city officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Thomas McNamera, Council Member, Owner of Mac's Chevrolet - Pontiac	Routine Vehicle Repair	\$ 14,205
	New Police Vehicle	17,345
	Pickup for Electric Fund	20,690
Jerry Koenigs, Council Member, Owner of Mapleton Hometown Variety	Supplies	457
	Heat Pump Rebate	750
Tim Hupke, Electric Board Member, Manager of Hoffman Agency	Insurance Premiums	\$ 8,058

Recommendation - The expenditures to Mac's Chevrolet - Pontiac owned by Thomas McNamera, Council Member, Mapleton Hometown Variety owned by Jerry Koenigs, Council Member, and Hoffman Agency, managed by Tim Hupke, Electric Board Member should be reviewed by the City Attorney.

Response - Expenditures will be reviewed by the City Attorney.

Conclusion - Response accepted.

04-III-F. Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions, but we suggest that the City review its coverage with the council and insurance agent on an annual basis.

04-III-G. Council Minutes - The minutes record was examined and appeared to give a condensed, accurate account of business transacted by the council. The City has represented to us that we were furnished a complete and official copy of all minutes of all meetings of the council. The Council went into closed session during several meetings. However, the minutes did not document the specific information regarding the closed session as required by Chapter 21 of the Code of Iowa, commonly known as the open-meeting law.

Recommendation - The City should comply with Chapter 21 of the Code of Iowa.

Response - We will comply with the Code requirements for closed sessions.

Conclusion - Response accepted.

04-III-H. Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

04-III-I. Financial Condition - The City had a deficit in the TIF Fund of \$776 and the General Fund of \$184,666.

Recommendation - The City should monitor these funds and make sure deficits can be recovered through TIF Revenues, general tax revenues, charges and other general revenues.

Response - The City will monitor the Funds and will spend accordingly.

Conclusion - Response accepted.

